ANNUAL REPORT 2001

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UAPP

UNIVERSITIES ACADEMIC PENSION PLAN

Plan Profile

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education.

- The UAPP has 5,100 active members, 625 deferred members and 2,450 pensioners.
- The UAPP Fund's market value at the end of 2001 was $1.68 billion.
- The UAPP Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- On behalf of the Board of Trustees, Alberta Pensions Administration (APA) provides plan administration services and the Investment Management Division of Alberta Revenue manages the UAPP Fund's investments.

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Edmonton, Alberta
March 2002

Message from the Chair

In 2001 the UAPP became a trusteed plan registered under the Employment Pension Plans Act. This transition was completed by the transfer of the remaining assets from the statutory Plan to the Trustees in January 2002. Under the Sponsorship and Trust Agreement, the Board of Trustees is now responsible for the administration of the Plan, for its investments, and for recommending plan design changes to the Sponsors of the UAPP, who are the academic staff associations and the boards of governors of Alberta universities and The Banff Centre for Continuing Education.

In view of this major change in the governance of the UAPP, the Board of Trustees has given priority to laying the groundwork and building the infrastructure necessary for sound governance and management of the Plan. As a first step, the Board of Trustees established a small office to help the Trustees in their oversight role and management of the Plan's operations. In order to make a smooth transition to the new arrangement, the Trustees also entered into contracts with the Investment Management Division of Alberta Revenue and Alberta Pensions Administration to continue the investment management of the UAPP Fund and administration of the Plan.

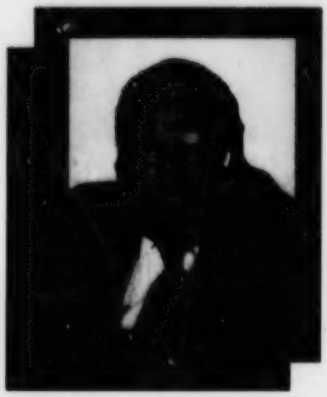
The Board of Trustees set up four Committees to assist it in carrying out its responsibilities in the areas of Administration, Investment, Audit and Plan Design. These committees are made up primarily but not exclusively of Board members. The Trustees held a planning workshop in April to discuss their mandate, develop strategic directions and set priorities. This led to the development of a 3-year Business Plan for the management of the UAPP.

Since the Board of Trustees decided not to participate in APA's multi-year, multi-million dollar systems development project, finding an administrative services provider in the open, competitive market has been a major focus of the Trustees' activities this year.

The Administration Committee has played a major role in helping guide the search and selection process for the Third Party Administrator. I am pleased to report that after an exhaustive search process, Buck Consultants Limited has been chosen. Buck is scheduled to take over UAPP's administration when our contract with APA expires near the end of 2002.

The UAPP staff is devoting a major portion of their time in activities related to the transfer of administration to Buck. Employers, through a Pension Administration Coordination Committee, are providing valuable input and feedback on items of interest to them. We are confident that there will be a smooth transition to Buck and that members and their employers will be pleased with the web-based services which will then be available to them.

2001 was one of the most turbulent, volatile years in the history of financial markets. The markets which were already down significantly from their highs had to deal with the unprecedented events of September 11. Even though the markets made major recoveries from the September lows, most indices ended the year in negative territory. Canadian equities, as measured by the TSE 300, were down 12.6%, US equities, as measured by the S&P 500, were down 6.4%, and Non-North American equities, as measured by the EAFE, were down 16.5% for the year. Consequently, most pension plans had negative returns, and the UAPP was no exception. Our Fund returned -5.1% in 2001, slightly better than the benchmark return of -5.3%, but below the average for large pension plans. The



Fund's relative performance in 2001 was hurt by its large allocation to foreign markets and real return bonds.

As a result, our deficiency (the amount by which our liabilities exceed our assets) has increased. For the last seven years, we have "smoothed" assets by using a 3-year averaging for funding purposes. In the past, this has resulted in an "actuarial asset value" that is less than the market value of assets. This year the actuarial value is greater than the market value. When the Alberta Government first established our pension fund in 1993, assets were 73% of liabilities as then actuarially estimated. Government contributions of 1.25% of payroll have been made annually and will continue to be made until 2043 unless the pre-1992 unfunded liability is eliminated before then. Employer and employee contributions are also made towards the pre-1992 deficiency in an amount that is re-determined at each actuarial valuation. The outstanding performance of the investment markets during the 1990's gave us the hope that the pre-1992 deficiency might be eliminated within the next few years. The negative performance of the investment markets last year makes that much less likely. Nevertheless, the pre-1992 unfunded

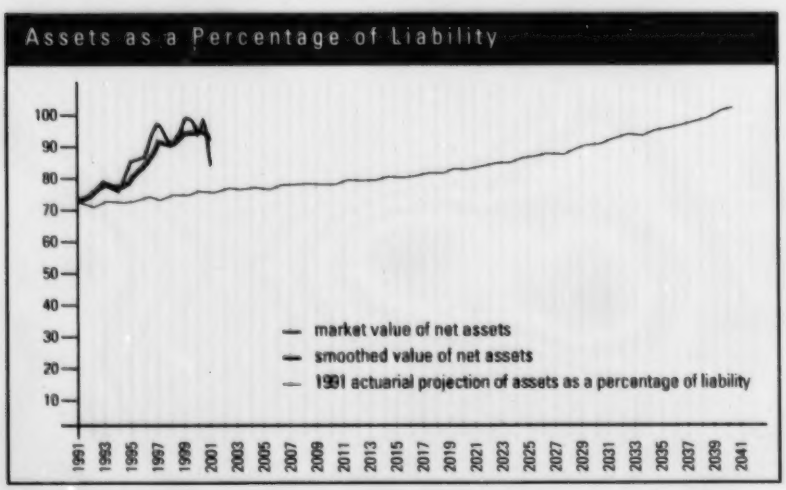
liability is much less than was projected in 1991 as shown below. Indeed, we are 84% funded using market value of assets and 92% funded using smoothed assets whereas we were initially projected to be only 75% funded at this time.

Even though the results in the last two years have been below the rate assumed for actuarial valuation purposes, the Board of Trustees expects a well-diversified portfolio of 65% equities and 35% bonds to generate, in the long run, returns sufficient to meet or exceed the Plan's liabilities. The Trustees' investment policy also leans towards passive management, as we believe that short-term market-timing strategies cannot consistently add value. The Board prefers to be a patient long-term investor.

The Trustees have taken a number of steps this year to strengthen investment oversight. Bob Hager, who until his retirement two years ago was Chair of Phillips Hager North, one of Canada's highly regarded investment firms, was appointed to our Investment Committee. Aon Consulting Inc. has been appointed to assist the Investment Committee with its mandate. As well, Bob Normand, President and Chief Executive Officer of ATB Financial, has been recently appointed to the Investment Committee.

The Trustees are, and intend to remain, focused on long-term results while ensuring that the Fund has a solid investment policy to meet the Plan's funding needs.

Recognizing their role to recommend changes to the Plan Sponsors, in 2001 the Trustees established the Committee on Plan Design with representation from Plan Sponsors. The Committee is taking a two-step approach to its work. As a first step, the Committee responded to a request from the Sponsors' Transition Committee, which guided the transition of the UAPP to non-statutory status, that it consider a few changes. The Board is recommending to Plan Sponsors that the 35-year limit on maximum pensionable service be removed and that the Plan be amended to allow members to make additional voluntary contributions, which could be used to enhance ancillary benefits, for example, cost-of-living adjustments larger than the 60% of Alberta CPI which the Plan now provides.



The Committee is now undertaking a more fundamental examination of the UAPP's various benefit features to see what changes might be made to enhance the value of the Plan for its members.

On behalf of the UAPP, I would like to thank Mary Hofstetter who left the Board at the end of 2001. We welcome David Burnett representing the Governors of Athabasca University, and Art Nutt who served previously as a representative from Athabasca University, and is now serving as a representative for The Banff Centre for Continuing Education. We look forward to the continuing contribution of Bob Hager on the Investment Committee. We welcome Bill Halford, FCA, to the Audit Committee and Bob Normand to the Investment Committee. We thank them for agreeing to share their expertise and wisdom with us.

The Board of Trustees thanks APA for their cooperation in assisting us through the transition to a new service provider and IMD staff, particularly Laurence Waring and Kirby O'Connor, for their work on the investment of the Plan during this difficult year.

I would like to thank my colleagues on the Board for their unfailing cooperation and support during my term as Chair. I am pleased to welcome Keith Winter as my successor. His extensive experience and knowledge will ensure continuity and strong leadership in the next two years.

Finally, it is my very pleasant task to thank our small staff, Virendra Gupta, Bob Langston and Pat Verhagen, for their untiring dedication and service.

Ron Bercov, Chair
Universities Academic Pension Plan

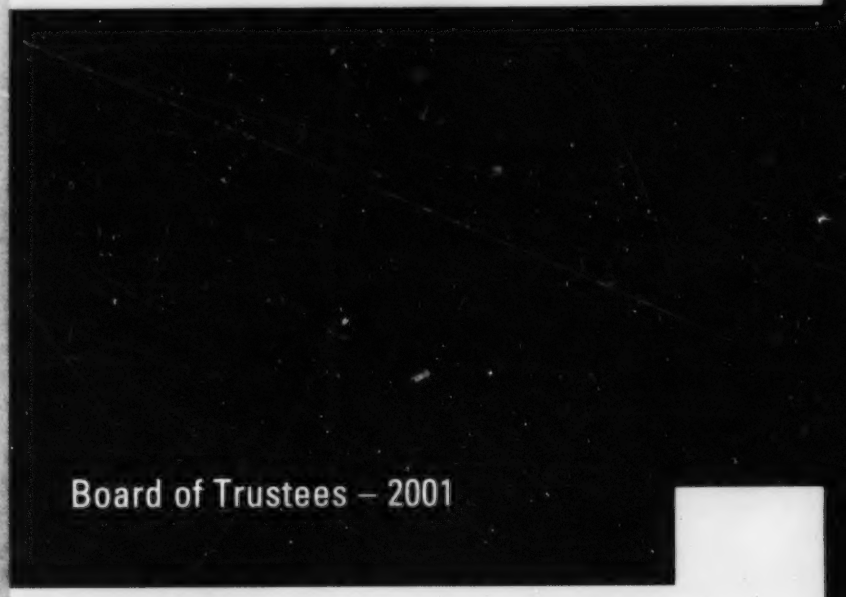
Board of Trustees
Universities Academic Pension Plan

Board Structure

The Board of Trustees of the Universities Academic Pension Plan oversees the Plan. The Board is composed of four employer trustees, four employee trustees and one employer representative. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

Board Responsibilities

The Board of Trustees is responsible for the administration of the Plan, for its investments, and for recommending plan design changes to the Sponsors of the Plan.



Board of Trustees – 2001

Employer Appointees

Auke Elzinga
The University of Lethbridge

Mary Hofstetter
The Banff Centre for Continuing Education

Lloyd Malin
The University of Alberta

Keith Winter (Vice-Chair)
The University of Calgary

Representative

Art Nutt
Athabasca University

Employee Appointees

Ron Bercov (Chair)
The University of Alberta

Daniel Furgason
The University of Lethbridge

Mary Hamilton
Athabasca University

Ted Horbulyk
The University of Calgary

Executive Director

Virendra Gupta

Investment Report

Investment Management

The Plan's overall investment goal is to enhance long-term returns while lowering risk through diversification across asset classes and markets and maintaining quality controls. The exposure to various asset classes and markets is not based on any single year's return expectations, but reflects long-term expectations based on historic performance and relationships among asset classes. However, investments with the greatest growth rate often experience the greatest volatility. A certain level of short-term volatility is therefore tolerated to maintain longer-term growth prospects. This perspective recognizes the fact that the UAPP is in the business for the long-term.

The Board of Trustees is responsible for establishing the Statement of Investment Policies and Goals, which, among other things, specifies the benchmark asset mix policy. This policy sets the allocation to various types of investments, such as fixed income (bonds), Canadian equities (stocks) or non-Canadian equities.

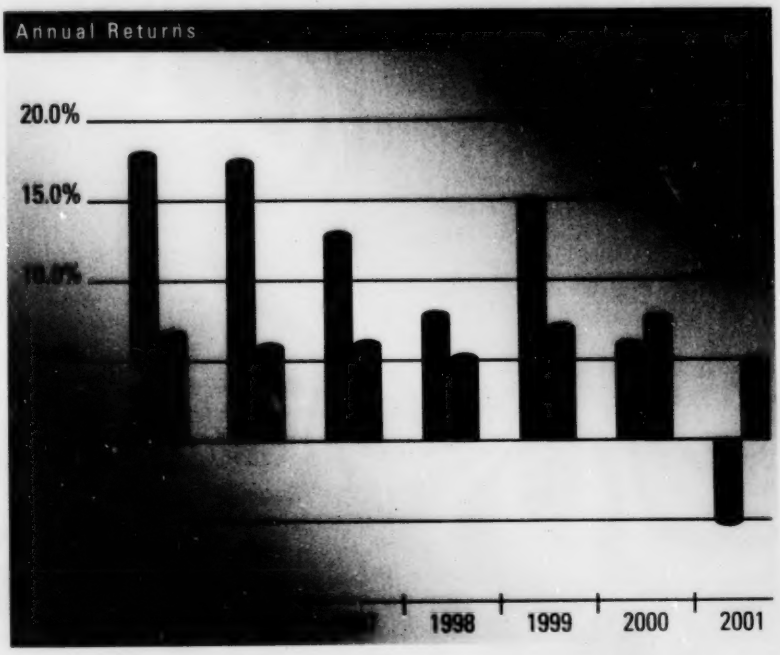
Performance of this asset mix is used to benchmark the investment manager's performance. However, the investment manager has the authority to add value by varying the allocation to each asset class within the prescribed range. A review of the Statement is undertaken every year and changes are made as necessary.

The Investment Management Division (IMD) of Alberta Revenue manages the UAPP's investments and handles all related day-to-day operations.

Investment Objective and Benchmarks

Since investment returns play a crucial role in the ability of a pension plan to meet its liabilities, the Plan's investment policy seeks to generate optimal returns while taking prudent risks.

Performance of each asset class in the Fund is also measured relative to established benchmarks on an ongoing basis. This assists in assessing investment managers' performance and effectiveness in carrying out their mandates. Actual return on the total Fund is also compared to the policy return that is based on the percentage of the Fund allocated to each asset class.



The real rate of return, i.e., return over and above inflation, is a key assumption used in actuarial valuations to calculate a plan's liabilities for service already rendered and to determine the rate of annual contributions required to fund future service. The UAPP's recent actuarial valuations have assumed a long-term real rate of return of 4.0% per year. Therefore, to keep the Plan's funding on track with actuarial valuations, the Plan must generate an average real return of 4.0% per year. This required rate sets a funding return target.

Asset Mix Policy

During the last year, the Board moved to increase overall equity exposure for the second consecutive year, increasing the allocation from 60.0% to 65.0% of the total Fund by the end of the year. Allocation of funds to Canadian equities was decreased from 30.0% to 25.0%, while US equities were increased from 12.0% to 18.0% and the Non-North American allocation was increased from 18.0% to 22.0%.

Investment Report

The Canadian equity market suffers from both concentration, with a small number of companies accounting for a large portion of the market's capitalization, and a heavy focus on a few industry groups. In addition, Canada represents just over 2.0% of world stock market capitalization. Consequently, these changes should increase the probability of meeting the Plan's rate of return requirements by increasing investment opportunities and diversifying the Plan's equity portfolio.

Changes were also made to fixed income allocations. The overall allocation to fixed income was decreased from 40.0% to 35.0%. The assets allocated to long bonds were lowered from 28.0% to 18.0%, while the allocation to real return bonds was increased from 10.0% to 15.0%. This is also designed to improve the overall risk return tradeoff of the Plan.

Implementation of Investment Policy

Based on the Board's Statement of Investment Policies and Goals, investments are made by the Investment Management Division (IMD) of Alberta Revenue. IMD provides a range of investment products and services to meet the needs of the Plan. Further, IMD operates on a scale such that the cost of investing to the Plan is very low compared with other investment organizations in Canada.

The key to maximizing this relationship over time is investment performance and satisfaction with the service provided by IMD. Each product provided by IMD and the overall fund performance are measured against a clearly defined market benchmark. Performance is reviewed quarterly with emphasis on the one year and four year measurement periods.

Asset Mix (%)

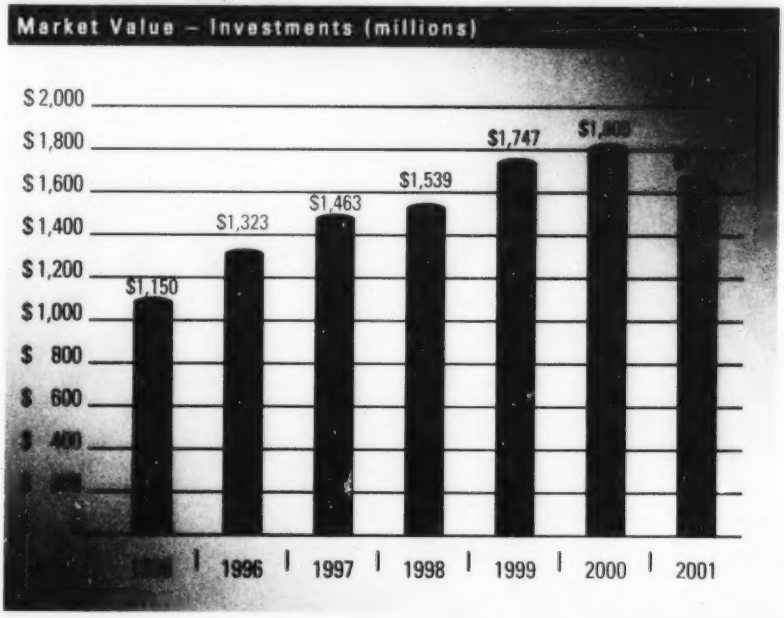
December 31, 2001

	Policy Asset Mix		Actual	
	2001	2000	2001	2000
Fixed Income				
Cash & Short term	2.0	2.0	2.0	1.1
Long Term	18.0	28.0	18.4	28.4
Real Return Bonds	15.0	10.0	13.9	9.9
Total	35.0	40.0	34.3	39.4
Equities				
Canadian	25.0	30.0	26.3	29.4
United States	18.0	12.0	17.8	13.1
Non-North American	22.0	18.0	21.6	18.1
Total	65.0	60.0	65.7	60.6

Fund Performance

Although the markets were already down from their peaks and economic data had already confirmed a slowdown in Canadian and US economies, the tragic events of September 11 resulted in a collapse in equity markets. On September 26, the TSE 300 bottomed out at 6,654, down almost 30.0% from its January 1 level of 9,322. By year-end, equity markets managed to recover somewhat, with the TSE closing at 7,688, well below the previous year end.

Primarily as a result of this volatility and overall downward trend in global equity markets, net investments decreased in 2001 by $128 million to



Investment Report

$1,677 million. Pension and other benefit payments exceeded contributions by $33 million and are expected to continue to restrain asset growth in the near future.

Overall investment returns in 2001 were substantially lower than in recent years. The key factor was generally poor equity performance globally, as all major equity markets finished in negative territory over the year. Only fixed income markets provided a positive return, with the Scotia Capital Long Bond Index returning 6.1%. Although the Fund did not meet the Board's required rate of return of 4.6% this year, it has met its long-term objective by exceeding the real rate of return objective over the past eight-year period.

Total Fund return was below the Frank Russell Median Return mainly because of the Fund's much larger allocation to foreign equities and real return bonds. Performance by the investment manager (IMD) over the year was positive when compared with the Fund's investment benchmarks. On a one-year basis, IMD returned -5.1%, 20 basis points above the policy benchmark return of -5.3%. On a four-year rolling basis, the Plan returned 5.6%, exceeding the policy benchmark return of 5.2% over the same period.

In terms of value added by IMD, relative to the policy benchmark, short term fixed income instruments made a modest contribution; however, the bulk of the value added was achieved through strong performance in the Canadian and Non-North American equity components relative to their benchmarks.

(a) Combination of the SC Long Bond Index and SC Real Return Bond Index

(b) Combination of the TSE 300 Index and Nesbitt Burns Small Cap Index

(c) Combination of the S&P 500 Index MSCI EAFE Index and MSCI Emerging Markets Index

Annual Returns

	2001 %	2000 %	1999 %	1998 %
Total Fund	**-5.1**	**5.2**	**15.7**	**7.5**
Policy Return	-5.3	4.6	13.4	9.1
Frank Russell (FR) Median Return	0.5	9.2	12.4	7.9
Consumer Price Index	0.7	3.2	2.5	1.0
Total Fixed Income	**2.8**	**13.6**	**-2.3**	**8.5**
Fixed Income Index (a)	3.7	13.9	-2.5	9.2
FR Canadian Bonds Median	8.0	10.4	-1.1	9.4
Short-term fixed income	**4.9**	**5.7**	**5.1**	**5.2**
SC 91-Day T-Bill Index	4.7	5.5	4.7	4.7
Long-term Fixed Income	**5.9**	**12.6**	**-5.8**	**8.7**
SC Long Bond Index	6.1	13.0	-6.0	12.9
Real Return Bonds	**-0.9**	**16.5**	**8.1**	**6.1**
SC Real Return Bond Index	0.5	16.7	8.0	6.0
Canadian Equities	**-9.5**	**10.0**	**27.3**	**-3.5**
Toronto Stock Exchange 300 Index	-12.6	7.4	31.7	-1.6
Canadian Equity Index (b)	-12.3	7.5	30.6	-1.6
FR Canadian Stocks Median	-3.1	12.9	27.2	-1.7
Total Foreign Equity	**-10.6**	**-10.1**	**30.6**	**24.7**
Foreign Equity Index (c)	-10.5	-10.1	18.7	33.5
FR World Equity Stocks Median	-9.9	-5.9	19.9	29.1
United States Equities	**-7.1**	**-4.7**	**13.6**	**29.3**
Standard & Poor's 500 Index	-6.4	-5.8	14.2	38.0
FR US Stocks Median	-5.8	-3.8	9.2	28.2
Non-North American Equities	**-13.2**	**-13.9**	**42.4**	**23.6**
MSCI EAFE Index	-16.5	-11.2	20.0	28.8
FR Non-North American Stocks	-16.0	-10.2	29.3	23.0

Compound Annualized Returns

	1yr %	2yrs %	3yrs %	4yrs %	8yrs %
Total Fund	**-5.1**	**-0.1**	**5.0**	**5.6**	**8.4**
Policy Return	-5.3	-0.5	4.0	5.2	8.7
Frank Russell (FR) Median Return	-0.5	4.2	7.4	7.4	9.9
Consumer Price Index	0.7	2.0	2.2	1.9	1.5
Total Fixed Income	**2.8**	**8.1**	**4.5**	**5.5**	**7.4**
Fixed Income Index (a)	3.7	8.7	4.8	5.9	7.5
FR Canadian Bonds Median	8.0	9.3	5.7	6.6	7.9
Short-term Fixed Income	**4.9**	**5.3**	**5.2**	**5.2**	**5.4**
SC 91-Day T-Bill Index	4.7	5.1	5.0	4.9	5.1
Long-term Fixed Income	**5.9**	**9.2**	**4.0**	**5.4**	n/a
SC Long Bond Index	6.1	9.5	4.0	6.2	9.1
Real Return Bonds	**-0.9**	**7.4**	**7.7**	**7.3**	n/a
SC Real Return Bond Index	0.5	8.3	8.2	7.7	5.9
Canadian Equities	**-9.5**	**-0.2**	**8.2**	**5.2**	**9.9**
Toronto Stock Exchange 300 Index	-12.6	-3.1	7.3	5.0	9.4
Canadian Equity Index (b)	-12.3	-2.9	7.2	4.9	9.4
FR Canadian Stocks Median	-3.1	6.2	12.1	8.1	11.8
Total Foreign Equity	**-10.6**	**-10.4**	**1.6**	**7.0**	**9.4**
Foreign Equity Index (c)	-10.5	-10.3	-1.5	6.3	11.0
FR World Equity Stocks Median	-9.9	-7.7	0.5	8.2	11.8
United States Equities	**-7.1**	**-5.9**	**0.2**	**6.8**	**12.8**
Standard & Poor's 500 Index	-6.4	-6.1	0.3	8.6	16.7
FR US Stocks Median	-5.8	-4.5	0.3	7.4	15.3
Non-North American Equities	**-13.2**	**-13.5**	**2.1**	**7.1**	**7.6**
MSCI EAFE Index	-16.5	-13.9	-3.8	3.5	6.1
FR Non-North American Stocks	-16.0	-12.0	0.9	5.4	7.3

Investment Report

The Canadian equity market suffers from [illegible]th concentration, with a small number of companies accounting for a large portion of the market's capitalization, and a heavy focus on a few industry groups. In addition, Canada represents just over 2.0% of world stock market capitalization. Consequently, these changes should increase the probability of meeting the Plan's rate of return requirements by increasing investment opportunities and diversifying the Plan's equity portfolio.

Changes were also made to fixed income allocations. The overall allocation to fixed income was decreased from 40.0% to 35.0%. The assets allocated to long bonds were lowered from 28.0% to 18.0%, while the allocation to real return bonds was increased from 10.0% to 15.0%. This is also designed to improve the overall risk return tradeoff of the Plan.

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Asset Mix (%)

December 31, 2001

	Policy Asset Mix		Actual	
	2001	[illegible]	2001	[illegible]
Fixed Income				
Cash & Short-term	2.0	[illegible]	2.0	[illegible]
Long Term	18.0	[illegible]	18.4	[illegible]
Real Return Bonds	15.0	[illegible]	13.9	[illegible]
Total	35.0	[illegible]	34.3	[illegible]
Equities				
Canadian	25.0	[illegible]	26.3	[illegible]
United States	18.0	[illegible]	17.8	[illegible]
Non-North American	22.0	[illegible]	21.6	[illegible]
Total	65.0	[illegible]	65.7	[illegible]

Fund Performance

Although the markets were already down from their peaks and economic data had already confirmed a slowdown in Canadian and US economies, the tragic events of September 11 resulted in a collapse in equity markets. On September 26, the TSE 300 bottomed out at 6,654, down almost 30.0% from its January 1 level of 9,322. By year-end, equity markets managed to recover somewhat, with the TSE closing at 7,688, well below the previous year end.

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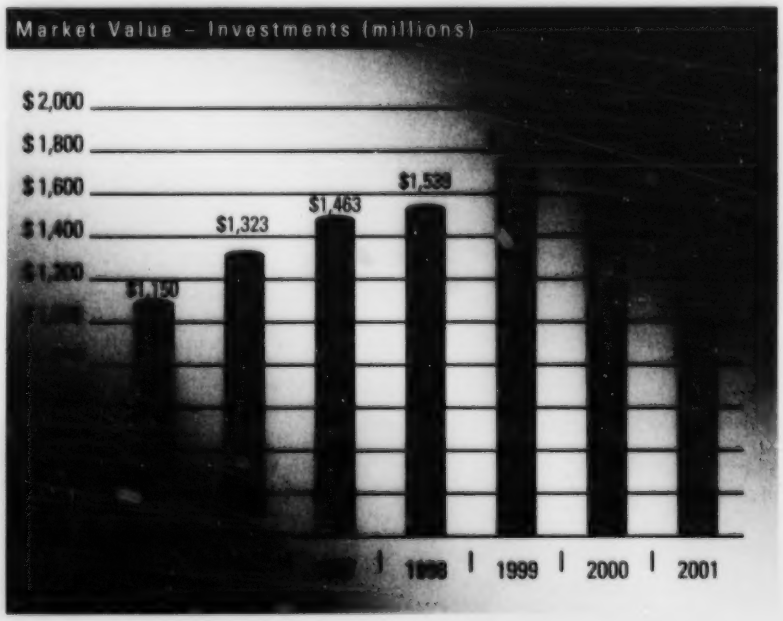

Investment Report

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In terms of value added by IMD, relative to the policy benchmark, short term fixed income instruments made a modest contribution; however, the bulk of the value added was achieved through strong performance in the Canadian and Non-North American equity components relative to their benchmarks.

(a) Combination of the SC Long Bond Index and SC Real Return Bond Index

(b) Combination of the TSE 300 Index and Nesbitt Burns Small Cap Index

(c) Combination of the S&P 500 Index, MSCI EAFE Index and MSCI Emerging Markets Index

Annual Returns

	2001 %	[illegible] %	[illegible] %	1999 %
Total Fund	-5.1	8.2	18.7	7.5
Policy Return	-5.3	4.8	13.4	9.1
Frank Russell (FR) Median Return	-0.5	9.2	12.4	7.9
Consumer Price Index	0.7	3.2	2.5	1.0
Total Fixed Income	2.8	13.8	-2.3	8.5
Fixed Income Index (a)	3.7	13.9	-2.5	9.2
FR Canadian Bonds Median	8.0	10.4	-1.1	9.4
Short-term Fixed Income	4.9	6.7	5.1	5.2
SC 91-Day T-Bill Index	4.7	5.5	4.7	4.7
Long-term Fixed Income	5.9	22.8	-5.8	8.7
SC Long Bond Index	6.1	13.0	-8.0	12.9
Real Return Bonds	-0.9	16.5	8.1	8.1
SC Real Return Bond Index	0.5	16.7	8.0	6.0
Canadian Equities	-8.5	19.0	27.3	-3.5
Toronto Stock Exchange 300 Index	-12.6	7.4	31.7	-1.6
Canadian Equity Index (b)	-12.3	7.5	30.6	-1.6
FR Canadian Stocks Median	-3.1	12.9	27.2	-1.7
Total Foreign Equity	-10.6	-10.1	28.8	24.7
Foreign Equity Index (c)	-10.5	-10.1	18.7	33.5
FR World Equity Stocks Median	-9.9	-6.9	19.9	29.1
United States Equities	-7.1	-4.7	13.8	25.3
Standard & Poor's 500 Index	-6.4	-5.8	14.2	28.0
FR US Stocks Median	-5.8	-3.8	8.2	26.2
Non-North American Equities	-13.2	-13.8	42.4	23.6
MSCI EAFE Index	-16.5	-11.2	20.0	26.8
FR Non-North American Stocks	-16.0	-10.2	29.3	23.0

Compound Annualized Returns

	1yr %	2yrs %	3yrs %	4yrs %	5yrs %
Total Fund	-5.1	-0.1	5.0	5.8	8.4
Policy Return	-5.3	-0.5	4.0	5.2	8.7
Frank Russell (FR) Median Return	-0.5	4.2	7.4	7.4	9.9
Consumer Price Index	0.7	2.0	2.2	1.9	1.5
Total Fixed Income	2.8	8.1	4.5	5.5	7.4
Fixed Income Index (a)	3.7	8.7	4.8	5.9	7.5
FR Canadian Bonds Median	8.0	9.3	5.7	6.8	7.9
Short-term Fixed Income	4.9	5.8	5.2	5.2	5.4
SC 91-Day T-Bill Index	4.7	5.1	5.0	4.9	5.1
Long-term Fixed Income	5.9	9.2	4.8	6.4	n/a
SC Long Bond Index	6.1	9.5	4.9	6.2	9.1
Real Return Bonds	-0.9	7.4	7.7	7.3	n/a
SC Real Return Bond Index	0.5	8.2	8.2	7.7	5.9
Canadian Equities	-8.5	-8.2	8.2	5.2	8.9
Toronto Stock Exchange 300 Index	-12.6	-8.1	7.3	5.0	8.4
Canadian Equity Index (b)	-12.3	-7.9	7.2	4.9	9.4
FR Canadian Stocks Median	-3.1	0.2	12.1	8.1	11.6
Total Foreign Equity	-10.6	-10.4	1.8	7.0	8.4
Foreign Equity Index (c)	-10.5	-10.3	-1.5	6.3	11.0
FR World Equity Stocks Median	-9.9	-7.7	0.5	8.2	11.8
United States Equities	-7.1	-5.9	0.2	8.8	12.8
Standard & Poor's 500 Index	-6.4	-6.1	0.3	8.6	16.7
FR US Stocks Median	-5.8	-4.8	0.3	7.4	15.3
Non-North American Equities	-13.2	-13.8	2.1	7.1	7.8
MSCI EAFE Index	-16.5	-13.6	-3.8	3.5	6.1
FR Non-North American Stocks	-16.0	-13.0	0.9	5.4	7.3

Asset Class Performance

Fixed Income Investments

The fixed income component has allocations to bonds, mortgages, real return bonds and cash. All the components are managed internally within IMD.

As a whole, fixed income under-performed over the last year. Long bonds under-performed, returning 5.9% versus the ScotiaCapital Long Bond Index return of 6.1%. As well, real return bonds returned -0.9% versus the ScotiaCapital Real Return Bond Index return of 0.5%. Cash/Short term fixed income out-performed the benchmark, returning 4.9%, 20 basis points above the ScotiaCapital 91 Day T-bill rate of 4.7%.

Canadian Equity Investments

The Plan invests in Canadian equities through several strategies including both passive and active mandates. TSE 300 index and core strategies are managed internally by IMD while the large cap active strategy, which invests in companies with a large market capitalization, and the small cap active strategy are managed by external investment advisors.

The total Canadian equity return was -9.5% versus -12.3% for the Canadian Equity Index. The internally managed domestic equity pool is intended to replicate the return of the TSE 300 market index, but in 2001 managed an out-performance of 50 basis points. The internally managed core product returned -16.7%; however, under-performance in this product was more than offset by the externally managed products. The external large cap managers returned -2.7%, 9.9% better than the TSE 300 return of -12.6%. Similarly, the external small cap managers out-performed the Nesbitt Burns Small Cap Index by 7.7%, returning 11.2%.

Foreign Equity Investments

The foreign equity allocation was divided by policy into allocations to the US and to Non-North American equity markets. Within the Non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region, or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across the different regions.

US Equities

The Plan's investments in the US are allocated 75.3% to passive and 24.7% to active strategies. A significant portion has been invested in the internally managed derivative product to manage the Fund's exposure to foreign equity relative to the federal *Income Tax Act* limits. While these limits were increased in 2000 and in January 2001, the derivative structures were retained as the policy allocation to foreign equity has been increased. The remainder is managed by external investment managers.

Over 2001, the S&P 500 in Canadian dollar terms returned -6.4%. The Fund's total US exposure generated a return of -7.1%, under-performing the benchmark. The internally managed derivative product returned -6.7% while the US active product returned -8.5% for the year.

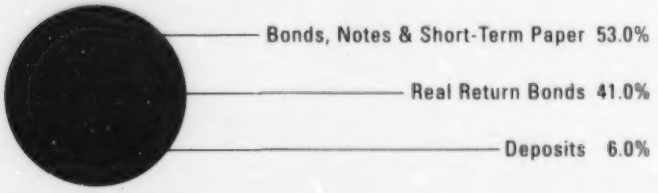
Non-North American Equities

The Non-North American equity component includes an allocation to both developed and emerging markets. Of this component, 19.2% is allocated to index-based strategies, with a portion of that allocation in a derivative product to manage the Fund's exposure to foreign equity relative to the federal *Income Tax Act* limits. The remaining 80.8% (including all of the emerging market allocation) are allocated to external active managers.

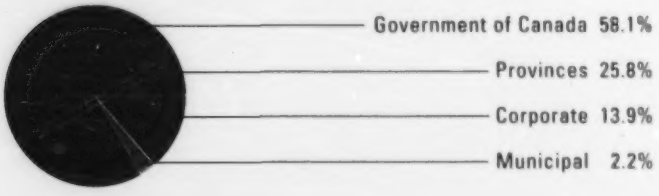
Non-North American equity markets were considerably weaker with the MSCI EAFE losing 16.5%. The Non-North American component of UAPP's Fund out-performed this benchmark by 3.3% with a return of -13.2%.

Investment Report

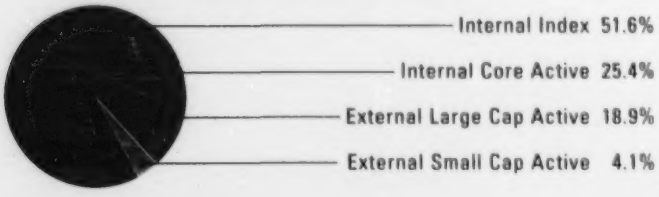
Summary of Fixed Income Holdings (by security type)



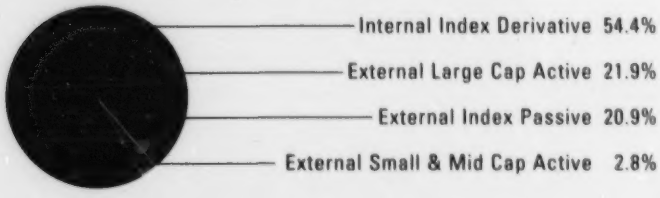
Summary of Fixed Income Holdings (Issued or guaranteed by)



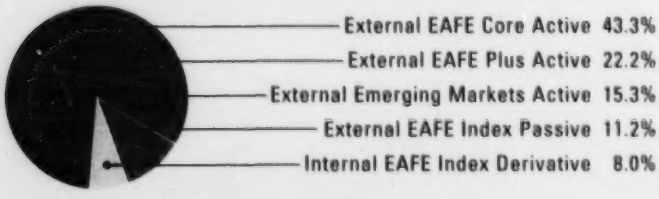
Summary of Canadian Equity Holdings



Summary of United States Equity Holdings


Internal Index Derivative 54.4%
External Large Cap Active 21.9%
External Index Passive 20.9%
External Small & Mid Cap Active 2.8%

Summary of Non-North American Equity Holdings


External EAFE Core Active 43.3%
External EAFE Plus Active 22.2%
External Emerging Markets Active 15.3%
External EAFE Index Passive 11.2%
Internal EAFE Index Derivative 8.0%

Top 10 Canadian Equity Holdings

December 31, 2001

Company	%
Nortel Networks	4.9
Royal Bank of Canada	4.2
BCE Inc.	4.1
Toronto Dominion Bank	3.8
Bank of Nova Scotia	3.5
Manulife Financial Corp.	3.1
Canadian Imperial Bank of Commerce	2.6
Bank of Montreal	2.4
Sun Life Financial Services	2.3
Bombardier Inc.	2.2

Top 10 US Equity Holdings

December 31, 2001

Company	%
General Electric Co.	3.4
Microsoft Inc.	3.2
Citigroup Inc.	2.7
Exxon Mobil Corp.	2.5
Pfizer Inc.	2.3
Wal-Mart Stores	2.0
American International Group Inc.	1.9
Intel Corp.	1.7
International Business Machines Co.	1.7
Johnson & Johnson	1.5

Top 10 Non-North American Equity Holdings

December 31, 2001

Company	%
Vodafone Group	2.4
Glaxosmithkline	2.0
Total Fina Elf	1.5
Aventis SA	1.2
ENI	1.2
Nestlé	1.1
BP PLC	1.1
UBS AG	1.0
Royal Bk Scot Grp	1.0
BNP Paribas	1.0

Administration Report

Current Service Provider

Alberta Pensions Administration (APA) Corporation provided administration services for UAPP in 2001 by collecting contributions and keeping accurate and secure records, as well as paying benefits to pensioners and members who left the Plan. APA also provided Plan information to members and employers.

APA's existing computer systems were adapted as required in 2000 and 2001 to implement changes in UAPP's rules as a result of becoming a non-statutory plan subject to the Employment Pension Plans Act (EPPA) of Alberta, effective January 1, 2001. In conjunction with the system changes, APA staff received training in the new rules. During the year, UAPP forms and information sheets were also updated to incorporate the new rules. The UAPP Member Handbook was significantly revised and published as a 2001 edition for distribution to all members in early 2001.

Selection of a New Service Provider

Buck Consultants Limited

The search for a Third Party Administrator began with the commissioning of the Hewitt Report on Service Delivery options available to the UAPP.

Following the Report, eight of the largest firms in the pension administration business were invited to respond to a detailed Request For Information (RFI). Six of the eight firms replied to the RFI. Their responses were analyzed with the assistance of an independent consulting actuary. Based on the consulting actuary's report and a detailed in-house analysis of the RFI's, three of the six firms were invited to respond to an even more detailed Request For Proposal (RFP).

All three firms responded to the RFP. Based on their submissions, the search was narrowed down to two firms. To follow up on their submissions, and to gain further understanding and insight into the pension administration operation of the two firms, site visits lasting 2-3 days were made. After a detailed analysis and comparison of the two service providers, the Board of Trustees entered into an agreement with Buck Consultants Limited (Buck) to provide administrative services to UAPP commencing near the end of 2002.

Buck, through its BenPlus system, brings a modern Web-based administration solution to the UAPP. Once the new system is fully operational, members, employers and UAPP office staff will have online access to pension administration.

Since the signing of the contract, Buck, with the assistance of the UAPP office staff, has completed the Specifications and Design phase of the Project. The Employers, through the Pension Administrators Coordination Committee, have provided valuable input and feedback on forms and letters developed by Buck.

Statistics

Contributions

Contributions made to UAPP in 2001 totaled $59.2 million. This included $27.7 million from active members, $26.5 million from employers, $4.4 million from the Government of Alberta and $0.6 million in transfers of funds from other plans. Total contributions in 2000 were $55.4 million.

Payments

Payments from the Plan totaled $95.0 million, including $88.4 million in pension benefits, $4.2 million in refunds to members, and $2.4 million in Plan expenses. In 2000, total payments from the Plan were $86.9 million.

Expenses

In 2001, UAPP's general administration costs, investment costs and actuarial fees totaled $2,372,000, or $303 per member, compared to $157 per member in 2000. Transition costs, including refunds to Sponsors of $794,000, or $101 per member, accounted for the majority of the increase. APA costs were $557,000, or $71 per member, compared to $69 per member in 2000.

Administration Report

Participation

	2001	2000
Active Members	5,096	4,871
Deferred Members	625	445
Pensioners	2,454	2,353
Total	8,175	7,669

New Pensioners

	2001	2000
Retirements	29	31
Early Retirements	82	93
Disability Retirements	0	0
Death Benefits to Spouses	4	4
Total	115	128

New Pensioner Retirement Choices

as at December 31, 2001

	2001	2000
Single Life	14	13
Joint Life	59	75
Guaranteed Term – Single	24	27
Guaranteed Term – Joint	18	13
Total	115	128

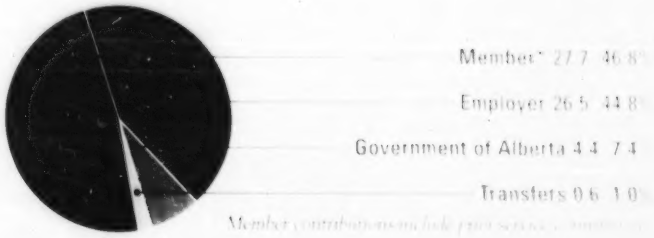
Monthly Payment Distributions

as at December 31, 2001

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	182	12	194
1,000 to 1,999	408	45	453
2,000 to 2,999	555	35	590
3,000 to 3,999	611	16	627
4,000 and over	589	1	590
Total	2,345	109	2,454

Contributions

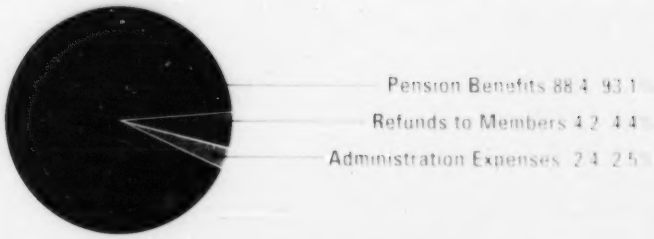
($ millions)



*Member contributions include past service buybacks

Payments

($ millions)



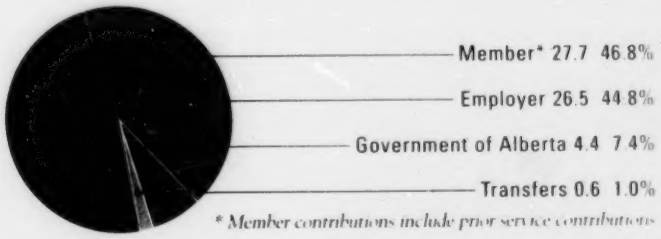
Administration Report

Participation

	2001	2000
	5,096	
	625	
	2,454	
Total	8,175	7,669

Contributions

($ millions)



** Member contributions include prior service contributions*

New Pensioners

	2001	2000
	29	
	82	
	0	
	4	
Total	115	128

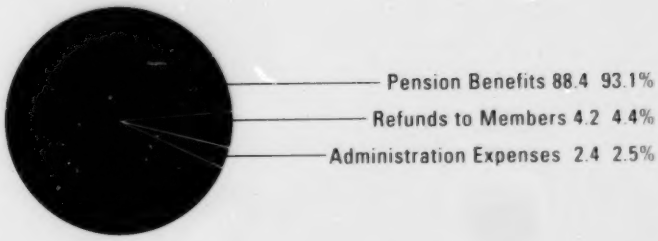
New Pensioner Retirement Choices

as at December 31, 2001

	2001	2000
	14	
	59	
	24	
	18	
	115	128

Payments

($ millions)



Monthly Payment Distributions

as at December 31, 2001

Dollar Value of Monthly Payments	Members' Pensions	Spouses' Pensions	Total
			194
			453
			590
			627
			590
Total	2,316	109	2,479

Management's Responsibility for Financial Reporting

The financial statements and information in the 2001 Annual Report are the responsibility of Management and have been approved by the Board of Trustees.

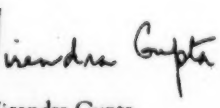
The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2001 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

The Investment Management Division (IMD) of Alberta Revenue, acting in the capacity of investment manager, and Alberta Pensions Administration (APA) Corporation, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements. The Auditor General has full and unrestricted access to discuss the audit and related findings regarding the integrity of financial reporting and the adequacy of internal controls.



Virendra Gupta
Executive Director
Universities Academic Pension Plan

Robert Langston, CA
Director of Finance and Administration
Universities Academic Pension Plan

Auditor's Report

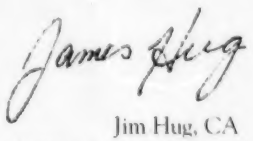
AUDITOR GENERAL *Alberta*

To the Board of Trustees of the Universities Academic Pension Plan

I have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2001 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
February 25, 2002

Jim Hug, CA
Acting Auditor General

Financial Statements

Statement of Net Assets and Accrued Pension Liability

As at December 31
($ thousands)

	2001	2000
Net assets available for benefits		
Assets		
Investments (Notes 3 and 11)	$ 1,677,461	$ 1,804,968
Accrued investment income	785	2,023
Contributions receivable:		
Employers	2,309	2,101
Employees	2,334	2,243
Province of Alberta	392	573
	1,683,281	1,811,908
Liabilities		
Accounts payable and accrued liabilities	177	703
Net assets available for benefits	1,683,104	1,811,205
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	163,900	(23,500)
Actuarial value of net assets available for benefits	1,847,004	1,787,705
Actuarial deficiency	151,996	109,495
Accrued pension liability	**$ 1,999,000**	**$ 1,897,200**

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31
($ thousands)

	2001	2000
Contributions received		
Current and optional service:		
Employers	$ 25,585	$ 23,057
Employees	26,726	24,677
Additional contributions to meet pre-1992 unfunded liability:		
Employers	922	1,567
Employees	922	1,567
Province of Alberta	4,398	4,123
Transfers from other plans	633	441
	59,186	55,432
Other (loss) income		
Net investment (loss) income (Note 6)	(92,333)	91,191
Payments made		
Pension benefits	(88,393)	(81,437)
Refunds and transfers to members	(4,189)	(4,282)
Plan expenses (Note 7)	(2,372)	(1,161)
	(94,954)	(86,880)
(Decrease) Increase in net assets	(128,101)	59,743
Net assets available for benefits at beginning of year	1,811,205	1,751,462
Net assets available for benefits at end of year	**$ 1,683,104**	**$ 1,811,205**

See accompanying notes and schedules.

Statement of Changes in Accrued Pension Liability

For the year ended December 31
($ thousands)

	2001			2000
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 106,600	$ 40,100	$ 146,700	$ 129,300
Benefits earned	–	51,100	51,100	48,100
Net experience losses*	–	–	–	50,700
Changes in TIAA – CREF balance*	–	–	–	800
	106,600	91,200	197,800	228,900
Decrease in accrued pension liability				
Benefits paid, including interest	83,700	12,300	96,000	85,600
Changes in actuarial assumptions*	–	–	–	16,500
Present value of prior service payments due*	–	–	–	2,000
	83,700	12,300	96,000	104,100
Net increase in accrued pension liability	22,900	78,900	101,800	124,800
Accrued pension liability at beginning of year	1,416,821	480,379	1,897,200	1,772,400
Accrued pension liability at end of year (Note 8)	**$ 1,439,721**	**$ 559,279**	**$ 1,999,000**	**$ 1,897,200**

* An actuarial valuation was performed at December 31, 2000 and was extrapolated to December 31, 2001.

See accompanying notes and schedules.

Statement of Changes in Deficiency

For the year ended December 31
($ thousands)

	2001			2000
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of year	$ 162,021	$ (52,526)	$ 109,495	$ 109,238
Net decrease (increase) in net assets available for benefits	139,996	(11,895)	128,101	(59,743)
Net change in actuarial adjustment for fluctuation in fair value of net assets	(132,200)	(55,200)	(187,400)	(64,800)
Net increase in accrued pension liability	22,900	78,900	101,800	124,800
Deficiency (surplus) at end of year	**$ 192,717**	**$ (40,721)**	**$ 151,996**	**$ 109,495**

See accompanying notes and schedules.

Note 1
Summary Description of the Plan

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act* as a registered pension plan. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. For a complete description of the Plan, see the Sponsorship and Trust Agreement. The summary description of the Plan described below applies to members who participate in the Plan on or after January 1, 2001.

(a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees are eligible for membership.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Contributions are reviewed in consultation with the Plan's actuary at least once every three years by the Board of Trustees of the Plan.

During the current year, total employer and employee contributions remained consistent with contribution rates in effect in the year 2000. However, the allocation of employer and employee contributions between current service costs and the unfunded liability for service prior to January 1, 1992 for the year ended December 31, 2001 was adjusted compared to fiscal 2000.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 2001 were 6.305% (2000: 5.9%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.705% (2000: 8.3%) on pensionable salary above the YMPE.

Rates in effect for employees of Athabasca University and The Banff Centre were 5.805% (2000: 5.4%) of pensionable salaries up to the Canada Pension Plan's YMPE and 8.205% (2000: 7.8%) on pensionable salary above the YMPE. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for employers and the rate for employees at December 31, 2001 was 0.07% (2000: 0.475%) of salary and the rate for the Province of Alberta was 1.25% (2000: 1.25%) of salary.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years. The Plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of service.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of service or have attained age 55 and the sum of their age and service equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of service.

Members who become disabled and have at least two years of service and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of service, a surviving spouse may choose to receive a survivor pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where service is less than two years, a lump sum payment must be chosen.

(e) Termination Benefits

Members who terminate with two or more years of service and are not immediately entitled to a pension may elect to receive a deferred pension or a refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of service are entitled to a refund of their contributions plus interest.

Note 1
Summary Description of the Plan (continued)

(f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) Optional Service and Transfers

Optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that service be transferred into the Plan on an actuarial reserve basis and the service transferred out of the Plan receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3
Investments (Schedules B to E)

	2001 ($ thousands)	%	2000 ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 33,273	2.0	$ 19,316	1.1
Canadian Dollar Long Bond Pool (b)	304,804	18.2	500,664	27.8
Real Rate of Return Bonds (c)	233,659	13.9	179,166	9.9
Canadian Dollar Public Bond Pool (d)	3,045	0.2	4,216	0.2
Floating Rate Note Pool	–	–	7,585	0.4
Total fixed income securities	**574,781**	**34.3**	**710,947**	**39.4**
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (e)	227,315	13.6	262,868	14.6
Canadian Pooled Equities Fund (f)	106,055	6.3	113,046	6.3
External Managers				
Canadian Large Cap Equity Pool (g)	83,032	4.9	94,271	5.2
Canadian Small Cap Equity Pool (h)	17,910	1.1	51,845	2.9
Private Equity Pool (i)	5,931	0.4	7,764	0.4
	440,243	26.3	529,794	29.4
United States Equities (Schedule D)				
US Passive Equity Pooled Fund (j)	162,444	9.7	101,331	5.6
External Managers				
US Large Cap Equity Pool (k)	65,210	3.9	87,178	4.8
US Passive Equity Pool (j)	62,248	3.7	36,826	2.0
US Mid/Small Cap Equity Pool (l)	8,352	0.5	12,426	0.7
United States Pooled Equities Fund	251	–	280	–
	298,505	17.8	238,041	13.1
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (m)	157,304	9.4	117,557	6.5
EAFE Plus Equity Pool (m)	80,812	4.8	65,120	3.6
Emerging Markets Equity Pool (n)	55,742	3.3	40,399	2.3
EAFE Passive Equity Pool (o)	40,889	2.4	–	–
EAFE Structured Equity Pooled Fund (p)	29,185	1.7	103,110	5.7
	363,932	21.6	326,186	18.1
Total equities	**1,102,680**	**65.7**	**1,094,021**	**60.6**
Total investments	**$ 1,677,461**	**100.0**	**$ 1,804,968**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum).

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 6.25% per annum (2000: 6.11% per annum)) and the following term structure based on principal amount: 5 to 10 years 2% (2000: 3%); 11 to 20 years 21% (2000: 29%); and over 20 years 77% (2000: 68%).

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation. As at December 31, 2001, the bonds have an effective market yield of 3.77% per annum (2000: 3.42% per annum) and the following term structure based on principal amount: 10 to 20 years 49% (2000: 0%); over 20 years 51% (2000: 100%).

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 5.34% per annum (2000: 6.07% per annum) and the following term structure based on principal amount: under 1 year 4% (2000: 6%); 1 to 5 years 35% (2000: 37%); 6 to 10 years 31% (2000: 28%); 11 to 20 years 12% (2000: 15%); over 20 years 18% (2000: 14%).

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing

Note 3
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Canadian Dollar Public Bond Pool (d)	3,045	0.2	4,216	0.2
Floating Rate Note Pool	–	–	7,585	0.4
Total fixed income securities	574,781	34.3	710,947	39.4
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Domestic Passive Equity Pooled Fund (e)	227,315	13.6	262,868	14.6
Canadian Pooled Equities Fund (f)	106,055	6.3	113,046	6.3
External Managers				
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Canadian Small Cap Equity Pool (h)	17,910	1.1	51,845	2.9
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External Managers				
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Emerging Markets Equity Pool (n)	55,742	3.3	40,399	2.3
EAFE Passive Equity Pool (o)	40,889	2.4	–	–
EAFE Structured Equity Pooled Fund (p)	29,185	1.7	103,110	5.7
	363,932	21.6	326,186	18.1
Total equities	1,102,680	65.7	1,094,021	60.6
Total investments	$ 1,677,461	100.0	$ 1,804,968	100.0

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum).

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 6.25% per annum (2000: 6.11% per annum) and the following term structure based on principal amount: 5 to 10 years 2% (2000: 3%); 11 to 20 years 21% (2000: 29%); and over 20 years 77% (2000: 68%).

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(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 5.34% per annum (2000: 6.07% per annum) and the following term structure based on principal amount: under 1 year 4% (2000: 6%); 1 to 5 years 35% (2000: 37%); 6 to 10 years 31% (2000: 28%); 11 to 20 years 12% (2000: 15%); over 20 years 18% (2000: 14%).

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing

Note 3
Investments (Schedules B to E) (continued)

returns higher than the total return of the TSE 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide investment returns higher than the total return of the TSE 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(h) The External Managers Canadian Small Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. Each portfolio is actively managed by an external manager with expertise in the Canadian small cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 Index over a four-year period and returns higher than the Nesbitt Burns Small Cap Index over the near term. Return volatility is reduced through multiple manager investment style and small market capitalization focus.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The US Passive Equity Pooled Fund is managed internally with the objective of attaining investment returns comparable to the Standard & Poor's (S&P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S&P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments.

The External Managers US Passive Equity Pool consists of a single portfolio of publicly traded United States equities similar in weights to the S&P 500 Index. The portfolio is passively managed by an external manager with expertise in the US equity market. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index over a four-year period.

(k) The External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap equity market. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(l) The External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the small and mid cap US equity market. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period.

(m) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(n) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(o) The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities that replicate the MSCI EAFE index. The performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four- year period.

(p) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is internally managed with the objective of providing investment returns comparable to the total return of the MSCI EAFE Index. The Fund provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The Fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

Note 4
Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments

Note 4
Investment Risk Management (continued)

will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% fixed income instruments and 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5
Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2001:

	2001		2000	
	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 278,932	$ 10,086	$ 325,229	$ (7,034)
Bond index swap contracts	85	–	336	2
Interest rate swap contracts	65,394	(2,649)	69,027	(875)
Forward foreign exchange contracts	63,014	110	38,678	1
Equity index futures contracts	9,079	331	346	2
	416,504	$ 7,878	433,616	$ (7,904)
Cross-currency interest rate swap contracts (b)	149,630		167,036	
Total	$ 566,134		$ 600,652	

(a) The method of determining fair value of derivative contracts is described in Note 2(f).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amounted to $150,256,000 (2000: $168,796,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $85,043,000 (2000 $163,120,000) that mature between 1 and 3 years and $20,496,000 (2000 $33,791,000) that mature over 3 years.

Note 6
Net Investment (Loss) Income

Net investment (loss) income is comprised of the following:

	2001	2000
	($ thousands)	
Net realized and unrealized (losses) gains on investments	$ (113,487)	$ 41,540
Derivative loss	(42,938)	(23,016)
Interest income	47,587	64,694
Dividend income	18,160	9,529
Securities lending income	562	263
Pooled funds management and associated custodial fees	(2,217)	(1,819)
	$ (92,333)	$ 91,191

The following is a summary of the Plan's proportionate share of investment (loss) income from pooled funds:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 19,977	$ 92,649
Canadian Equities	(50,518)	56,996
Foreign Equities		
United States	(16,085)	(10,347)
Non-North American	(45,707)	(48,107)
	$ (92,333)	$ 91,191

Note 7
Plan Expenses

	2001	2000
	($ thousands)	
General Plan costs	$ 1,198	$ 851
Non-recurring transition costs	794	20
Investment management costs	255	237
Actuarial fees	125	53
	$ 2,372	$ 1,161

Pension administration costs totaling $557,000 (2000: $509,000) included in general plan costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Revenue on a cost recovery basis.

Pooled funds management and associated custodial fees totaling $2,217,000 (2000: $1,819,000), which have been deducted from investment income of the pools, are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $585 per member (2000: $404 per member). The $181 per member cost increase in 2001 is attributed to the following factors: increase in non-recurring transition costs $99, in general operations cost $38, in pooled funds management cost $36, and in actuarial cost $8.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.273% (2000: 0.165%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by William M. Mercer Limited and was then extrapolated to December 31, 2001. The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Universities Academic Pension Plan Board of Trustees adopted this best estimate.

The major assumptions used were:

	2001 Extrapolation	2000 Valuation
	%	%
Asset real rate of return	4	4
Inflation rate	3.50	3.50
Investment return	7.50	7.50
Salary escalation rate*	3.50	3.50
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

** Excludes merit and promotion.*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 2001 allocated between the pre-1992 and post-1991 periods:

Note 4
Investment Risk Management (continued)

will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% fixed income instruments and 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5
Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2001:

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Total	**$ 566,134**		**$ 600,652**	

(a) The method of determining fair value of derivative contracts is described in Note 2(f).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amounted to $150,256,000 (2000: $168,796,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $85,043,000 (2000 $163,120,000) that mature between 1 and 3 years and $20,496,000 (2000 $33,791,000) that mature over 3 years.

Note 6
Net Investment (Loss) Income

Net investment (loss) income is comprised of the following:

	2001	2000
	($ thousands)	
Net realized and unrealized (losses) gains on investments	$ (113,487)	$ 41,540
Derivative loss	(42,938)	(23,016)
Interest income	47,587	64,694
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Securities lending income	562	263
Pooled funds management and associated custodial fees	(2,217)	(1,819)
	$ (92,333)	$ 91,191

The following is a summary of the Plan's proportionate share of investment (loss) income from pooled funds:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 19,977	$ 92,649
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Note 7
Plan Expenses

	2001	2000
	($ thousands)	
General Plan costs	$ 1,198	$ 851
Non-recurring transition costs	794	20
Investment management costs	255	237
Actuarial fees	125	53
	$ 2,372	$ 1,161

Pension administration costs totaling $557,000 (2000: $509,000) included in general plan costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Revenue on a cost recovery basis.

Pooled funds management and associated custodial fees totaling $2,217,000 (2000: $1,819,000), which have been deducted from investment income of the pools, are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $585 per member (2000: $404 per member). The $181 per member cost increase in 2001 is attributed to the following factors: increase in non-recurring transition costs $99, in general operations cost $38, in pooled funds management cost $36, and in actuarial cost $8.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.273% (2000: 0.165%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by William M. Mercer Limited and was then extrapolated to December 31, 2001. The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Universities Academic Pension Plan Board of Trustees adopted this best estimate.

The major assumptions used were:

	2001 Extrapolation	2000 Valuation
	%	%
Asset real rate of return	4	4
Inflation rate	3.50	3.50
Investment return	7.50	7.50
Salary escalation rate*	3.50	3.50
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

* *Excludes merit and promotion*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 2001 allocated between the pre-1992 and post-1991 periods.

Note 8
Accrued Pension Liability (continued)

	Pre-1992	2001 Post-1991	Total	2000 Total
		($ thousands)		
Fair value of net assets	$ 1,132,404	$ 550,700	$ 1,683,104	$ 1,811,205
Actuarial adjustment for fluctuation in fair value of net assets	114,600	49,300	163,900	(23,500)
Actuarial value of net assets available for benefits	1,247,004	600,000	1,847,004	1,787,705
Accrued pension liability	1,439,721	559,279	1,999,000	1,897,200
Deficiency (surplus)	**$ 192,717**	**$ (40,721)**	**$ 151,996**	**$ 109,495**

The Plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25 percent of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future additional contributions was $144 million.

The Province reports its obligation to the Plan in its consolidated financial statements. The amount reported by the Province represents estimates of the present value of the Province's obligation for future additional contributions, including deferred adjustments.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

	Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency ($ millions)	Sensitivities: Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 119.7	0.87%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	45.0	0.81%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	257.3	3.03%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%.

Note 9
Remuneration of Board Members

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

Remuneration rates for 2001:	Chairman	Board Members
Up to 4 hours	$ 146	$ 108
4 to 8 hours	249	179
Over 8 hours	395	281
During the year, the following amounts were paid:	2001	2000
Remuneration		
Chairman	$ 6,518	$ 2,977
Members (8)	35,152	24,877
Travel expenses		
Chairman	199	1,286
Members (8)	25,563	19,547

Board members are paid only for attending and preparing for Board and Committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours.

Note 10
Budget Information

The accrued pension liability is based on the Universities Academic Pension Board of Trustees' best estimates of future events after consultation with the Plan's actuary. Differences between actual results and the Board of Trustees' expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11
Restatement of Comparative Figures

As the result of a pricing error discovered after approval of the Plan's financial statements for 2000, Alberta Revenue has revalued the real rate of return bonds held by the Plan at December 31, 2000 and restated the comparatives. The restatement has the effect of decreasing investments held by the Plan and actuarial adjustment for fluctuation in fair value of net assets at December 31, 2000 by $11,309,000 and $7,500,000 respectively, and increasing the Plan's actuarial deficiency on the same date by $3,809,000. Net investment income and investment return for the year 2000 have also been respectively reduced by $11,309,000 and 0.7%.

Note 12
Comparative Figures

Comparative figures have been reclassified to be consistent with 2001 presentation.

Note 13
Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Plan.

Schedule A

Schedule of Investment Returns

Year ended December 31, 2001

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the plan for the one-and five-year periods ended December 31, 2001 are as follows:

	One Year Return					5 Year Compound Annualized Return
	2001	2000	1999	1998	1997	
Time-weighted rates of return						
Short-term fixed income	4.9	5.7	5.1	5.2	4.0	5.0
Scotia Capital 91-Day T-Bill Index	*4.7*	*5.5*	*4.7*	*4.7*	*3.2*	*4.6*
Long-term fixed income	5.9	12.6	(5.8)	8.7	9.5	6.0
Scotia Capital Long Bond Index	*6.1*	*13.0*	*(6.0)*	*12.9*	*18.5*	*8.5*
Real Return Bonds	(0.9)	16.5*	8.1	6.1	4.6	6.7
Scotia Capital Real Return Bond Index	*0.5*	*16.7*	*8.0*	*6.0*	*4.7*	*7.0*
Total Fixed Income	**2.8**	**13.6***	**(2.3)**	**8.5**	**9.2**	**6.2**
Fixed Income Index (a)	*3.7*	*13.9*	*(2.5)*	*9.2*	*9.6*	*6.6*
Canadian equity	**(9.5)**	**10.0**	**27.3**	**(3.5)**	**14.7**	**7.0**
Toronto Stock Exchange 300 Index	*(12.6)*	*7.4*	*31.7*	*(1.6)*	*15.0*	*7.0*
United States equities	(7.1)	(4.7)	13.6	29.3	28.6	10.8
Standard & Poor's 500 Index	*(6.4)*	*(5.8)*	*14.2*	*38.0*	*39.2*	*14.1*
Non-North American equities	(13.2)	(13.9)	42.4	23.6	9.6	7.6
MSCI EAFE Index	*(16.5)*	*(11.2)*	*20.0*	*28.8*	*6.3*	*4.0*
Total Foreign Equity	**(10.6)**	**(10.1)**	**30.6**	**24.7**	**15.3**	**8.6**
Foreign Equity Index (b)	*(10.5)*	*(10.1)*	*18.7*	*33.5*	*20.9*	*9.1*
Real estate**	n/a	n/a	n/a	12.8	20.7	n/a
*Russell Canadian Property Index***	*n/a*	*n/a*	*n/a*	*16.0*	*18.5*	*n/a*
Overall	**(5.1)**	**5.2***	**15.7**	**7.5**	**12.4**	**6.9**
Policy Benchmark	**(5.3)**	**4.6**	**13.4**	**9.1**	**13.6**	**6.8**

(a) Combination of the Scotia Capital Long Bond and Real Return Bond Indices.
(b) Combination of the S&P's 500, MSCI EAFE and MSCI EMF Indices.

* Restated (see Note 11).
** Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.

Note 8
Accrued Pension Liability (continued)

	2001			2000
	Pre-1992	Post-1991	Total	Total
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Fair value of net assets	$ 1,132,404	$ 550,700	$ 1,683,104	$ 1,811,205
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		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 119.7	0.87%
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Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	257.3	3.03%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%.

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	Chairman	Board Members
Remuneration rates for 2001:		
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	2001	2000
During the year, the following amounts were paid:		
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Chairman	$ 6,518	$ 2,977
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Comparative figures have been reclassified to be consistent with 2001 presentation.

Note 13
Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Plan.

Schedule A

Schedule of Investment Returns

Year ended December 31, 2001

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the plan for the one-and five-year periods ended December 31, 2001 are as follows:

	One Year Return					5 Year Compound Annualized Return
	2001	2000	1999	1998	1997	
Time-weighted rates of return						
Short-term fixed income	4.9	5.7	5.1	5.2	4.0	5.0
Scotia Capital 91-Day T-Bill Index	*4.7*	*5.5*	*4.7*	*4.7*	*3.2*	*4.6*
Long-term fixed income	5.9	12.6	(5.8)	8.7	9.5	6.0
Scotia Capital Long Bond Index	*6.1*	*13.0*	*(6.0)*	*12.9*	*18.5*	*8.5*
Real Return Bonds	(0.9)	16.5*	8.1	6.1	4.6	6.7
Scotia Capital Real Return Bond Index	*0.5*	*16.7*	*8.0*	*6.0*	*4.7*	*7.0*
Total Fixed Income	**2.8**	**13.6***	**(2.3)**	**8.5**	**9.2**	**6.2**
Fixed Income Index (a)	*3.7*	*13.9*	*(2.5)*	*9.2*	*9.6*	*6.6*
Canadian equity	**(9.5)**	**10.0**	**27.3**	**(3.5)**	**14.7**	**7.0**
Toronto Stock Exchange 300 Index	*(12.6)*	*7.4*	*31.7*	*(1.6)*	*15.0*	*7.0*
United States equities	(7.1)	(4.7)	13.6	29.3	28.6	10.8
Standard & Poor's 500 Index	*(6.4)*	*(5.8)*	*14.2*	*38.0*	*39.2*	*14.1*
Non-North American equities	(13.2)	(13.9)	42.4	23.6	9.6	7.6
MSCI EAFE Index	*(16.5)*	*(11.2)*	*20.0*	*28.8*	*6.3*	*4.0*
Total Foreign Equity	**(10.6)**	**(10.1)**	**30.6**	**24.7**	**15.3**	**8.6**
Foreign Equity Index (b)	*(10.5)*	*(10.1)*	*18.7*	*33.5*	*20.9*	*9.1*
Real estate**	n/a	n/a	n/a	12.8	20.7	n/a
*Russell Canadian Property Index***	*n/a*	*n/a*	*n/a*	*16.0*	*18.5*	*n/a*
Overall	**(5.1)**	**5.2***	**15.7**	**7.5**	**12.4**	**6.9**
Policy Benchmark	**(5.3)**	**4.6**	**13.4**	**9.1**	**13.6**	**6.8**

(a) Combination of the Scotia Capital Long Bond and Real Return Bond Indices.
(b) Combination of the S&P's 500, MSCI EAFE and MSCI EMF Indices.

* Restated (see Note 11).
** Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.

Schedule B

Schedule of Investments in Fixed Income Securities

December 31, 2001
($ thousands)

	Plan's Share	
	2001	2000
Deposits and Short-Term Securities	$ 34,501	$ 21,474
Fixed Income Securities (a)		
Public		
Government of Canada direct and guaranteed	311,404	383,593
Provincial		
Alberta, direct and guaranteed	11	14
Other, direct and guaranteed	138,011	187,190
Municipal	11,716	12,271
Corporate	73,943	99,047
Private		
Corporate	398	517
	535,483	682,632
Receivable from sale of investments and accrued investment income	4,800	6,866
Liabilities for investment purchases	(3)	(25)
	4,797	6,841
	$ 574,781	**$ 710,947**

(a) Fixed income securities held as at December 31, 2001 had an average effective market yield of 5.17% per annum (2000: 5.41%). The following term structure of these securities as at December 31, 2001 is based on principal amount.

	2001 %	2000 %
5 to 10 years	1	3
11 to 20 years	34	29
over 20 years	65	68
	100	100

Schedule C

Schedule of Investments in Canadian Equities

December 31, 2001
($ thousands)

	Plan's Share	
	2001	2000
Deposits and Short-Term Securities	$ 5,711	$ 5,040
Public Equities (a) (b)		
Communications and media	21,502	25,954
Conglomerates	6,868	17,144
Consumer products	23,349	29,668
Financial services	118,093	83,474
Gold and precious minerals	14,916	13,413
Industrial products	83,173	163,540
Merchandising	15,525	16,400
Metals and minerals	20,554	17,471
Oil and gas	50,599	65,123
Paper and forest products	9,976	11,898
Pipelines	10,363	38,136
Real estate and construction	3,722	6,358
Transportation and environmental services	13,607	6,423
Utilities	29,809	24,100
	422,056	519,102
Passive index	3,814	3,252
	425,870	522,354
Private Equities	4,147	5,503
Receivable from sale of investments and accrued investment income	6,426	1,570
Liabilities for investment purchases	(1,911)	(4,673)
	4,515	(3,103)
	$ 440,243	**$ 529,794**

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $100,453,000 (2000 $116,644,000), which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule D

Schedule of Investments in United States Equities

December 31, 2001
($ thousands)

	Plan's Share	
	2001	2000
Deposits and Short-Term Securities	$ 815	$ 126
Public Equities (a) (b)		
Basic materials	11,600	9,737
Commercial services	9,096	6,014
Consumer cyclical	22,548	14,893
Consumer non-cyclical	23,266	17,134
Consumer services	16,153	12,358
Energy	19,297	16,050
Financial	57,608	47,832
Health Care	42,686	33,157
Industrials	11,223	8,765
Technology	56,253	51,809
Telecommunications	14,749	11,108
Transport	1,900	2,011
Utilities	6,608	9,113
	292,987	239,981
Receivable from sale of investments and accrued investment income	5,044	1,083
Liabilities for investment purchases	(341)	(3,149)
	4,703	(2,066)
	$ 298,505	$ 238,041

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $157,400,000 (2000 $103,343,000), which are used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The industrial classifications are those used by the Standard & Poor's indices.

Schedule E

Schedule of Investments in Non-North American Equities

December 31, 2001
($ thousands)

	Plan's Share	
	2001	2000
Deposits and Short-Term Securities	$ 10,359	$ 2,412
Public Equities (a)		
Country		
United Kingdom	76,975	60,501
Japan	49,522	63,642
France	34,082	31,659
Netherlands	22,279	19,025
Switzerland	21,550	20,731
Germany	20,655	24,328
Hong Kong	13,542	9,369
Australia	11,439	9,022
Italy	10,533	11,652
Spain	9,185	7,694
Sweden	5,654	8,856
Finland	5,457	7,048
Other	71,095	51,355
	351,968	324,882
Receivable from sale of investments and accrued investment income	4,347	1,350
Liabilities for investment purchases	(2,742)	(2,458)
	1,605	(1,108)
	$ 363,932	**$ 326,186**

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $27,921,000 (2000 $105,243,000), which are used as underlying securities to support the notional amount of Non-North American equity index swap contracts.

Glossary

TERMS

Active management
Active management of assets generally takes two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the TSE 300 for Canadian stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

Active member
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

Asset mix
The percentage of a plan's assets allocated to the major asset classes (for example, 35% fixed income and 65% equities).

Benchmark
A standard such as the TSE 300, against which performance is measured. For the purposes of this report, benchmarks are established return indices (listed in percentages) used to measure the Fund's relative investment returns.

Bond
A promissory note issued by a company or government which bears a fixed maturity date and a rate of interest.

Deferred member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has a right to a deferred pension.

Emerging market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equity
Stock; the ownership interest in a company.

External manager
A third-party firm contracted by the Investment Management Division of Alberta Revenue to provide investment management services.

Large cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Passive management
Passive management involves investing to replicate the performance of a given market index such as the TSE 300 for Canadian stocks.

Policy benchmark
A return for the Fund which is derived from the asset mix policy and the benchmark indices for each major asset class.

Real return bond
A fixed-income investment product whose return is designed to generate a a specified real rate of return.

The real interest rate is the nominal (set) interest rate minus inflation.

Small cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of up to 0.15% of the total Toronto Stock Exchange market capitalization.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swaps (Structured Investments)
A contract between two parties to pay the other party the return on an underlying investment.

T-bill
A short-term government security.

Total return
Interest income plus price increases or decreases.

Unfunded liability
An unfunded liability is the amount, if any, by which the Fund's accrued liabilities as determined by the actuary exceed the net assets of the Fund.

Glossary

INDICES

Consumer Price Index (CPI)
Measures the relative prices at various times of a selected basket of goods and services.

Frank Russell Median Manager
A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

Related Terms: Frank Russell Canada Limited is an independent performance measurement firm that measures the relative performance of investment managers. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

MSCI EAFE Index
(Morgan Stanley Capital International – Europe, Australia, and the Far East)

The MSCI EAFE index is an international stock index that was developed in 1969 by Morgan Stanley Capital International to track changes in the equity markets of developed countries outside North America. The index includes 21 nations. Stocks are selected for the MSCI EAFE based on their countries of origin and their standing within their individual industry group.

Russell Canadian Property Index
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

ScotiaCapital Markets 91-Day T-Bill Index
Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaCapital.

ScotiaCapital Markets Long Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

ScotiaCapital Markets Real Return Bond Index
Measures the total return attributable to real return bonds (bonds whose return is linked to an inflation index).

ScotiaCapital Markets Universe Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

Standard & Poor's 500 Index
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of US equity performance.

Toronto Stock Exchange (TSE 300) Index
Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

Directory – 2002
Universities Academic Pension Plan

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Actuary
William M. Mercer Limited

Auditor
Auditor General of Alberta

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